

Central Falls Detention Facility Corporation Meeting Minutes
Wednesday, May 1, 2013
Wyatt Detention Facility Training Building
935 High Street
Central Falls, RI 02863
6:00 P.M.
TDD/TTY 401-727-7450

A meeting of the Central Falls Detention Facility Corporation was held on the above date in the Training Building at 6:00p.m.

1) Call to order / Roll Call – 6:15 p.m.

All Members present: Director Tillinghast, Director Rios, Director Cabral, Director Figueroa, and Chairman Hartford

2) Public Comment

Former Board member Phil St. Pierre questioned items in the budget. He pointed out that, while he was on the Board, they'd included training classes in May and October in the budget. In looking at the salaries and overtime, he feels that now is the time to go forward with that. He said that legal fees are atrocious. Consulting fees are atrocious. He asked whether Almonte would provide an update tonight. He said that, as a former Board member, they were pressed to approve the audit quickly. He would have liked to have seen completion dates outlined in the original contract, but that did not happen. He feels that the delay in providing the report by Mr. Almonte reflects incompetence. He pointed out that it is not only the Facility that is waiting for this report. It is the State, the City of Central Falls, and the residents and tax-payers in the City of Central Falls. He thinks that someone needs to be held accountable.

Former Board member Al Romanowicz said that he hired legal counsel when he was served by his own Board. He concurred with Former Director St. Pierre in regards to the Almonte report. He said that he has still not met with Mr. Almonte. He gave Mr. Almonte times that he could meet with him, but still has not heard from him.

Former Mayor Thomas Lazieh, self-described resident, taxpayer, and initiator of this project, echoed the statements of the two former Board members. He asked whether the Wayne Salisbury suit happened this week or whether it was postponed. He asked about tax payments to the City and whether we were any closer to making that payment. He questioned the Almonte forensic audit, stating that it was long overdue. He was present when Almonte made his presentation, but has not seen him at any meeting since then to provide an update or any type of report. He asked if there were any continuing negotiations with ICE. He asked about the Bondholders expenses that were passed on to the Facility. He asked about the present costs of the Bondholders expenses and whether there was an accounting of these expenses and if we had any information as to what they were spending our money on. He asked where we stand in respect to budget this year and commented that he knew there was a deficit. He asked when we'd start the next training class. He asked if there was any transfer of equipment or vehicles to the City. He knows that the City welcomes and looks forward to surplus donations. He asked if a new CFO had been hired and what the terms of his contract were. He pointed out that the Facility was constructed as a benefit, a financial revenue source for the City of Central Falls. Right now it is a non-contributor. He hopes to see

that situation change sooner rather than later for the benefit of the City and every taxpayer in the City.

Chairman Hartford said that during the finance report or the report of the Warden, we'd talk about many of the issues and concerns raised by Mr. Lazieh and the former Board members.

3) Approval of minutes, 3/20/13

Chairman Hartford pointed out that he had not submitted for the minutes the public report that he made after Executive Session when they reconvened in open session at 9:00pm on March 20, 2013. The record should reflect that the Board received an update on matters listed under Executive session. Also, the Board unanimously approved an extension to the Nancy Bailey contract. The original contract for the review of the Belford matter was \$18K. The Board, on the 20th, agreed to extend that contract to the tune of an additional \$10K.

Motion made by Director Tillinghast to approve the minutes from 3/20/13, with the addition of the additional language cited above; seconded by Director Figueroa. All were in favor. Motion passed.

4) New Business –

A) O'Connor & Drew 2012 Audit Report

David Dilulis, CPA, a partner with O'Connor & Drew (OCD), and Shawn Huxley, audit supervisor, presented an overview of the financial audit conducted by their firm. Mr. Dilulis presented the Board with a draft of the financials and offered to discuss the financials with the Board Members once they'd had the opportunity to review them. He pointed out that this was a smooth audit. He said that he had two elements to review. One was required communications and the other was the financials. He pointed out that because we are a governmental entity, we are required to have our audit performed using governmental standards. This is an elevated set of standards over a regular commercial entity. It requires the auditors to issue two reports; one on the financial statements and the other on the internal control environment. The internal control report would include any significant deficiencies, material weaknesses, or other comments. The good news is that they did not have anything to report in this area. The internal control environment is sound and the controls are working as intended.

The firm issued a going-concern again this year. This is due to recurring losses. There were no significant changes or audit adjustments. There were a couple of journal entries, proposed by facility management. It is important for the Board to be aware of any disagreements with management. In this case, there were none. They did receive an engagement letter prior to reviewing the financials. They are required to state that they are independent, in that they have no other relationship with the facility other than the audit. The auditors ask questions in relationship to fraud, but do not purport to catch every instance. The auditors did not see anything that caused concern in regards to fraud or they would have looked further or contacted the next level. The management discussion and analysis is prepared by facility management and reviewed by OCD to ensure consistency with the audit.

Next, Mr. Dilulis reviewed the financial statements. Assets on the balance sheet include mostly capital assets (\$70M) and the investments (\$10M). This accounts for about 95% of assets. There are about \$106M in total liabilities. The bond payable accounts for about (\$100M) and the interest accrual on the bond payable. This is about 97% of

liabilities. The facility's net position as of December 31, 2012 was negative \$19M. This is a decrease of about \$3M from the prior year, which was about negative \$16M. Losses last year were about \$2.8M. This is basically attributable to the decrease in the revenues. With the loss that we had last year, the cash also went down \$1M. Finally, he pointed out and reviewed the footnotes contained within the draft audit report.

Chairman Hartford stated that this appeared to him to be a very clean audit. There are no concerns about our records or our internal controls. The main problem is the going-concern rating, but that's basically because of the revenue stream.

Chairman Hartford said that the Board would review the reports and put it on the agenda for the next meeting for approval. Warden Murphy pointed out that the report was due to the Bondholders by May 31, 2013. Chairman Hartford said that there would probably be a special meeting next week on the Belford matter, so the audit report vote can be deferred until that meeting.

B) Report of Finance Committee

Warden Murphy announced that this would be Bob Teasdale's (Interim Controller) last meeting. He introduced Robert Cuzzupe, the new CFO. Mr. Cuzzupe has worked in the accounting field since 1985. He has a B.A. in Business Administration from Northeastern University. Throughout his career, he has served in numerous roles from that of Senior Staff Accountant, Controller, and CFO. He has been aboard since Monday. He confirmed that Mr. Cuzzupe's salary was within the budget and was significantly less than the fees that we'd been paying Mr. Teasdale's agency.

Mr. Teasdale reported that overall revenues for the month of March were \$2M. This is unfavorable to the budget by about \$109K. Actual ADP for the month was 601; budgeted ADP was 633. Total operating expenses for the month were just about in-line with budget at \$1.4M. Salaries and fringe were approximately \$976K. This is about \$18K favorable to budget. This is attributable to vacancies. Inmate care expenses were \$128K. This is \$14K favorable to budget. No huge items within that category, just small savings across the board. Total direct and administrative expenses were \$145K; \$22K unfavorable to budget. This is primarily due to consulting fees and the expense of an investigation. Insurance fees were on-target with budget. Total building and utility expenses were \$10K over budget. Overall operating income was \$601K, compared to a budgeted amount of \$711K; a shortfall of about \$110K. This is directly attributable to revenues.

Non-operating expenses were \$805K; \$67K favorable to budget. This is partly attributed to the way that we're recognizing income and interest expenses. Overall, the change in net assets was a \$204K decrease, compared with a budgeted change of \$161K.

Director Tillinghast asked about the year-to-date ADP compared to last year. Mr. Teasdale did not have that information available to him at the time. Director Tillinghast pointed out that for the quarter, compared to first quarter last year the ADP was up about 14-15. Mr. Teasdale said that overall, revenues are about \$95K higher than last year at this time. Operating expenses are about \$114K lower this year. Overall, operating income is favorable by about \$200K. This is flowing to the bottom-line.

C) Current cash report and overview of accounts

Mr. Teasdale reported that the general revenue account is at \$1.1M. They've changed the way they are funding the O & M account. They are now pulling what we budgeted

for operating expenses out of the general revenue fund first, then whatever is left will go to debt services. As of April 30th, the debt service fund is at \$1.8M. That's \$357K short of where it should be. The capital improvement account has not changed. The debt service reserve is unchanged and remains \$2.1M short of where it should be.

Director Tillinghast added that before the Corporation can begin to be the partner to the City that everyone wants, we are \$2.5M away from being that good citizen. At these levels, we are losing \$100K a month. Mr. Teasdale said that, to make it simple, the debt service every month is about \$729K, so the operating income has to be at least \$729K in order to be cash neutral. It has not been over \$700K since August of last year. We were making our debt service payments at the expense of stretching out our vendors. Last meeting, we worked on getting our vendors caught up, so that causes a further shortfall in the debt service. In order to generate enough income to cover all this, the ADP would have to be up around 670 or 680. Director Tillinghast pointed out that if we were able to eliminate some of these legal fees, ADP requirement would drop to around 650.

Motion to approve the report of the finance committee was made by Director Cabral; seconded by Director Tillinghast. All were in favor. Motion passed.

D) Request for Reimbursement of legal fees, Al Romanowicz

Al Romanowicz, former Board member, said that because he was served, he felt that he had no choice but to hire independent legal counsel. It was related to his service as the former Chairman of the Board under Cornell. Chairman Hartford said that he'd received the invoice for \$3,207.15 in January or February from Mr. Romanowicz. He apologized for taking so long to get it on the agenda and said that he hopes they will be able to deal with it shortly.

Director Tillinghast asked Peg Lynch-Gadaleta, legal counsel for the Board, whether it mattered if Mr. Romanowicz was sued personally or in his capacity as a Board member. Next he asked whether the Corporation provides legal counsel to Board members. Attorney Lynch-Gadaleta said that she believes that Mr. Romanowicz was subpoenaed because of his former position as Chairman of the Board. She referenced the indemnification outlined in the Corporation's by-laws. Under this section, legal counsel will be provided to Board members or former Board members who are a named party or under threat in a lawsuit. She did not believe that this was the case with Mr. Romanowicz. She asked if the Board had agreed to allow Mr. Romanowicz to hire independent counsel and agreed to pay for it in Executive session when she was not present. Chairman Hartford said that he did not recall that this had ever been discussed or that any approvals had been made in Executive session. He commented that this was a period from August 7, 2012 until November, 2012 where he got counsel from Attorney Joe Keough. Further, Chairman Hartford said that he'd discussed the matter with Attorney Lynch-Gadaleta before the meeting and she was inclined to hold the matter in abeyance. The Cornell matter is one of the subjects of the Almonte review. Director Cabral disagreed. He said that Mr. Romanowicz' lawyer had already looked at the first draft of the Almonte report and there was no substance to it. Director Cabral added that he thought there was such a witch-hunt going on at the time that Mr. Romanowicz had no choice but to protect himself. Chairman Hartford said that, because there were still unanswered questions as to if there were any issues with Mr. Romanowicz' role as Chairman of the Corporation, he thought they should wait. Director Figueroa asked why the Almonte audit was taking so long. Chairman Hartford said he had no answer. Attorney Lynch-Gadaleta said that the update that she got by e-mail was that Mr. Almonte had two interviews left to schedule. One was with Al and the other

was with the Bond representative. He said it was coming to a close. He had those interviews to finish up and he was tying up loose ends. She asked him whether he could provide a timeline, but he has not yet responded to her.

Attorney Fracassa pointed out that although the by-laws do not necessitate that the Corporation is compelled to cover the cost of legal expenses in cases such as this, the Board could use their discretion to decide to pay this bill as a corporate expense related to Mr. Romanowicz' role as a Board member. Attorney Lynch-Gadaleta reiterated that it was her position that this should be tabled until at least the next meeting. She said that the Almonte report could come out and say that there were actions taken that were outside of his role and responsibilities as Chairman and the Board members would be sitting there with "egg on their face." As legal counsel, it is her opinion that, since they've waited this long, the Board should wait a month unless there is some sense of urgency. Brief discussion amongst Board members ensued.

Motion to table this item to the next regular Board meeting made by Director Tilling hast; seconded by Director Figueroa. All were in favor. Motion passed.

E) Authorization of miscellaneous payments and purchases.

Chairman Hartford said that there were no motions before the Board at this time.

5) Old Business

A) Almonte Report.

Chairman Hartford instructed Attorney Lynch-Gadaleta to contact Mr. Almonte to tell him that the Board expects to have his completed report by the May meeting. He requested that Mr. Almonte appear at the meeting to provide whatever update he has if the report is not complete, but they'd prefer that the report were complete.

6) Reports of the Warden and/or Legal Counsel (as necessary); ADP update; and other matters.

Attorney Lynch-Gadaleta said that the Salisbury matter has been postponed until September 4, 2013 due to scheduling issues with the court. There were two judges on leave.

Warden Murphy provided the following information to the Board:

- ADP is at 631; we were actually as high as 665 for a few days, but then the bus picked them up.
- Suicide watch hours are consistent
- FTE last week was 166
- Academy class – we are on target to begin a class in July. We have 30 candidates under consideration
- Medical staff voted to unionize (AFSCME)
- Marketing efforts are on-going with our jurisdictions; additionally he reached out to OFDT because they are looking to launch a Pilot program for reentry. We are in the final stages of submitting our proposal. This would be an opportunity for an increased revenue source. Also, we are looking into our policies and procedures so that we can be prepared for ICE detainees at some point in the future. Attorney Fracassa has maintained contact with our congressional delegation.

- He, Investigator Villa, and Captain Richard attended a NESPIN event at the ACI. This was a great opportunity for networking. In addition, they were able to tour the ACI.
- The facility did donate to the Central Falls Chess Club, as requested at the last meeting. Our employees love to eat, so we, in conjunction with the FOP Union purchased empanadas to feed our staff.
- Warden met with Fire Chief Bradley to review evacuation routes. Between the police department and the fire department, Central Falls is in good shape.
- He and Deputy Warden Tapley will be helping out tomorrow morning at the City's May breakfast. The Facility's food service provider, Aramark, will be cooking the food for the breakfast.
- Warden Murphy and Geoff Weston, Training Director will be attending a kick-off meeting for the Special Olympics Torch Run on Friday. Last year, the facility raised over \$2K for the Special Olympics. This year, judging by staff level of excitement, we expect to exceed that.
- He has been talking a lot with the Majority Bondholder. They are working on this. They do see the bigger picture and they want to be able to contribute to the City of Central Falls, but it's going to take time.
- On Friday, we will send out the RFP for commissary services. It has not been bid-out in six years and he's looking at this as a way to possibly generate more revenues.
- We are looking at a program called Fresh Favorites, which would benefit both the provider (Aramark) and the facility.
- We need two 80 gallon kettles for the kitchen. The ones that are there are damaged. Monies for purchases such as this were incorporated into the contract with the food services provider, so there will be no expense to us.
- The Q1, 2013 report has been sent to the Trustees.
- Next week is Correctional Workers Week. Board members are invited to attend these events. Most importantly, he'd like them to attend the Awards ceremony to be held on Wednesday at 2:00pm.

Director Tillinghast asked if there were any significant incidents to report. Warden Murphy said that there two minor altercations with inmate on inmate contact, but it did not involve weapons. Another detainee cut himself, so he was sent out to get stitched up. Staff did a good job in both cases.

Warden Murphy shared pleasantries with Mayor Diossa. The Mayor indicated that he'd like to come by to say hello to staff again. Warden Murphy extended an invitation to do so.

Director Tillinghast asked the number of Central Falls residents currently on-staff. The number was not readily available, but Warden Murphy agreed to get back to him with that information. Warden Murphy said that when he toured the Mayor, he found that he was classmates with three staff members.

Director Cabral asked for more information regarding the kettles. Warden Murphy said that they may have been damaged by former food services staff because they were not using the proper tools in cooking. He reiterated that the money for the purchases was covered by the Food Services contract.

7) Next meeting:

Chairman Hartford said that Nancy Bailey did not have the written report completed yet although she has completed her review. She wants to meet with the Board members next week. Board members discussed and decided upon Wednesday, May 8th @ 6pm. The

Board also needs to approve the audit, so that will be included on the special meeting agenda.

Next regular meeting: Wednesday, May 22, 2013 @ 12:00pm @ Wyatt Training Building

8) Executive Session pursuant to R.I. General Laws § 42-46-5 for the following purposes:

- A. RIGL § 42-46-5(a)(2) and RIGL § 42-46-5(a)(4) for the purpose of reviewing issues regarding FOP representation of supervisory staff and litigation concerning the Wayne Salisbury matter; Ng; Cornell; Avcorr; Property tax bill; Forensic Audit; Belford investigation.
- B. RIGL § 42-46-5(a)(3) for the purpose of receiving an operational report from the Warden.
- C. RIGL § 42-46-5(a)(1) Personnel

9) Adjournment